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Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the period ending 30 June 1999

Report of the Secretary-General

I. Introduction

1. The General Assembly, in paragraph 7 of its resolution 48/216 B of 23 December 1993, requested the Secretary-General to report to it, at the same time as the recommendations of the Board of Auditors are submitted to the Assembly, on measures taken or to be taken to implement those recommendations.

2. Accordingly, the present report responds to the recommendations of the Board made in its report on the accounts of the United Nations peacekeeping operations for the 12-month period ending 30 June 1999.[1] This response is based on the assumption that all such recommendations would be approved by the General Assembly at its current session. Information is provided on measures taken or to be taken to implement the recommendations.

3. In preparing the present report, account was also taken of the provisions of the following General Assembly resolutions:

(a) Resolution 50/204 A of 23 December 1995 (in particular para. 4, regarding implementation of the Board's recommendations);

(b) Resolution 51/225, section A, of 3 April 1997 (in particular para. 10, regarding the timetable for the implementation of recommendations of the Board of Auditors);

(c) Resolution 52/212 B of 31 March 1998 (in particular paras. 2-5) and the note by the Secretary-General transmitting the proposals of the Board of Auditors for improving the implementation of its recommendations approved by the Assembly (A/52/753, annex).

II. Implementation of recommendations contained in paragraph 12 of the report of the Board of Auditors

4. In paragraph 12 (a) of its report, the Board of Auditors recommended that inter-office vouchers pending clearance in the financial statements should be disclosed in gross terms.

5. This recommendation has been implemented.

6. In paragraph 12 (b), the Board recommended that the Office of Programme Planning, Budget and Accounts ensure that all expenditure relating to a

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financial period is captured in the accounts for more accurate financial reporting. The Board further recommended that the Office and the Department of Peacekeeping Operations improve their coordination to ensure accurate financial reporting.

7. The Office of Programme Planning, Budget and Accounts ensures that all known expenditures relating to the financial period are captured in the financial statement based on information supplied by the Department of Peacekeeping Operations. In some cases, the Department is not able to record expenditures owing to the unavailability of appropriate funding resources. In such situations, the Office has requested the Department to provide financial data so that this information can be disclosed in the financial statements as a contingent liability pending approval by the General Assembly of additional appropriations in order to satisfy the pending liabilities. If a troop-contributing country's claim is submitted to the Field Administration and Logistics Division of the Department of Peacekeeping Operations after the end of a financial period to which it applies, or for that matter at the liquidation phase of a mission, it can only be reflected as a contingent liability. Based on the above, in our view, there was no inaccurate reporting of government claims in the financial statements, as we have provided information on this issue in the notes to the financial statement.

8. The coordination between the Department of Peacekeeping Operations and the Office of Programme Planning, Budget and Accounts has been strengthened. Claims received from troop contributors are reviewed and verified by the Department and forwarded to the Office. The Department ensures that certified claims submitted to the Office have sufficient obligated funds to facilitate further processing. In addition, the Department prepares monthly reports on all claims that have been certified or await certification and are forwarded to the Office for information and review.

9. In paragraph 12 (c), the Board recommended that the Department of Peacekeeping Operations explore additional areas both at Headquarters and in the field missions to facilitate procurement planning to minimize costs.

10. The Department of Peacekeeping Operations continually reviews its procurement requirements in an ongoing attempt to identify additional areas where cost-saving mechanisms, such as volume purchase agreements or systems contracts, can be beneficial to the Organization. As a result, initiatives in the areas of information technology, engineering, general defence stores and the like have led to cost savings and administrative processing efficiencies. It should be noted that not all procurement requirements lend themselves to systems contracts. For many service contracts, generic specifications cannot be developed since they have to be tailored to the particular circumstances of the mission. The Department will continue to explore new areas for cost savings and, to this end, welcomes the Procurement Division's continued efforts to expand and improve its supplier database. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

11. In paragraph 12 (d), the Board recommended that the Department of Peacekeeping Operations remind field missions to comply with the provisions of the Procurement Manual, which require the missions to submit to their procurement sections procurement plans based on realistic estimates.

12. This recommendation has been implemented. The Field Administration and Logistics Division recently sent facsimiles to all missions reminding them of the importance of submitting procurement plans based on realistic estimates by their procurement sections and will follow up accordingly.

13. In paragraph 12 (e), the Board recommended that the Procurement Division review the practice of procuring items under free-on-board contracts to ensure consistency with the provisions of the Financial Rules and the Procurement Manual.

14. Discussions are under way to define circumstances in which inspection would be appropriate. The cost implications of inspections also need to be considered. There are many shipping points at which technical inspectors are not available and need to be flown in. In such cases, the cost of inspection may outweigh the risk of faulty delivery. Problems such as the ones encountered with the tyres[2] rarely occur. In the case cited, the suppliers acknowledged fault and the tyres are being replaced. The Assistant Secretary-General for Central Support Services is responsible for the implementation of this recommendation.

15. In paragraph 12 (f), the Board recommended that the Department of Peacekeeping Operations and the

Procurement Division establish procedures for obtaining prompt advice on status of goods received at the field missions to facilitate the expediting function and the completion of the procurement process.

16. In order to expedite the completion of the procurement process initiated at Headquarters, the Department is, wherever possible, transferring the responsibility for making payments to the end-user to the field mission. The practice with regard to Headquarters procurement has up to now been for missions to send receiving and inspection reports to the Field Administration and Logistics Division, which in turn processes the receiving and inspection function in the Integrated Management Information System (IMIS) (until such time that IMIS is implemented in the field) and forwards copies to the Accounts Division and the Procurement Division for information. Invoices from vendors and suppliers are received by the Accounts Division for review and payment. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

17. In paragraph 12 (g), the Board recommended that the Department of Peacekeeping Operations take action to locate the relevant records relating to the disposition of the assets of the United Nations Observer Mission in Liberia (UNOMIL) and ensure that for the future such records are made readily available for audit review.

18. The recommendation has been implemented. Additional records pertaining to the liquidation of UNOMIL have been obtained from United Nations storage facilities in New Jersey and are currently located in the Liquidation Team's office in the Finance Management and Support Service of the Field Administration and Logistics Division. Lessons learned from the liquidation of past missions are now taken into account; liquidation guidelines are forwarded to chief administrative officers prior to liquidation in order to facilitate and speed up the process in the mission. Proper handling of documents in the field facilitates their transport and storage and ultimately their retrieval at Headquarters. Progress made during the liquidation of the United Nations Preventive Deployment Force is a case in point.

19. In paragraph 12 (h), the Board recommended that the Department of Peacekeeping Operations and missions standardize the main types of assets used, such as vehicles, generators and communication and data-processing equipment, in order to improve maintenance and usage.

20. The Department of Peacekeeping Operations concurs with this recommendation and is moving in that direction, conditions in each particular mission permitting. The Field Administration and Logistics Division has made substantial progress in its efforts to standardize major and common items of equipment, such as vehicles, information technology and communication equipment, achieving, in addition to cost savings, improved maintenance capacity. However, as stated on previous occasions, operational and political exigencies may at times override the intention to standardize equipment in the field. The Field Administration and Logistics Division developed the field assets control system to provide proper control of the Organization's assets and to ensure uniformity in the management of assets in peacekeeping missions. The asset module of the system will be fully implemented in the planned peacekeeping mission by mid-2000. Further developments include a prototype module for expendable inventory items, which is designed to enhance decision-making with regard to issues related to procurement, delivery, redistribution, replenishment, storage, write-off and disposal of mission assets. This module is scheduled for implementation during 2000. These measures are expected to contribute the standardization of the main types of assets used, thereby maximizing the use of the Organization's resources. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

21. In paragraph 12 (i), the Board recommended that the Department of Peacekeeping Operations request liquidating missions to properly evaluate the cost-effectiveness of any proposed transfer of assets.

22. The cost-effectiveness of any proposed redeployment of assets by liquidating missions to other missions or to the United Nations Logistics Base at Brindisi, Italy, is closely monitored by the Field Administration and Logistics Division in accordance with the policy on the transfer of assets (see A/51/905, para.23), which was endorsed by the General Assembly in its resolution 52/1 A of 15 October 1997. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

23. In paragraph 12 (j), the Board recommended that the Department of Peacekeeping Operations review the arrangements for screening and testing civilian police monitors with a view to improving the effectiveness of the selection process.

24. In order to improve its effectiveness in this regard, the Department's Civilian Police Unit is arranging train-the-trainers workshops to assist police-contributing countries to enhance their training capacity. Workshops have been arranged for Eastern Europe (in Sweden), Asia (in Malaysia) and Africa (in Ghana). In 2000, the plans are for one workshop for Central and Eastern Europe to be held in Hungary and one for North and South America (location to be decided). Furthermore, a visit from the Selection Assistance Team (SAT) can be requested by contributing countries. SATs comprise personnel from the Civilian Police Unit and field missions, and their task is to test candidates in their home countries before deployment. Candidates who are cleared by SAT will not be tested again in the field mission. As the number of civilian police in peacekeeping missions can be expected to increase to between 7,000 and 9,000 during the present calendar year, SAT activities have to be planned on a yearly basis in order to avoid repeated tests in some countries. The Civilian Police Unit is also reviewing the training curriculum for pre-mission training for civilian police. A curriculum for a three-week United Nations police officers course has been prepared. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

25. In paragraph 12 (k), the Board recommended that the Department of Peacekeeping Operations ensure that in no case should personnel be assigned to a mission prior to medical clearance being obtained.

26. The observation that civilian police personnel have been deployed without medical clearance is correct. Because of the recent large increase in the number of civilian police observers in field missions, currently established policies and procedures have proven insufficient. The Civilian Police Unit is working with the Medical Services Division to find a functional solution in order to avoid such problems in the future. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

III. Implementation of recommendations contained in the body of the report of the Board of Auditors

27. In the body of its report, the Board recommended, in paragraph 33, that government and non-government obligations be provided with distinct code numbers in IMIS for more effective monitoring.

28. The Administration is reviewing the possibility of establishing separate identifying codes in IMIS to classify government-related obligations so as to facilitate the retrieval of information from IMIS. The Assistant Secretaries-General for Programme Planning, Budget and Accounts and for Common Support Services are responsible for the implementation of this recommendation.

29. In paragraphs 35 to 39 of its report, the Board observes that there was a negative fund balance for the United Nations Transitional Authority in Cambodia of $2.6 million as at 30 June 1999 and expresses its concern that supplementary information provided by the Administration to the Advisory Committee on Administrative and Budgetary Questions was inaccurate and had resulted in insufficient assessments to cover the budget requirements. Although the Board has not submitted a specific recommendation on the matter, it is the intention of the Office of Programme Planning, Budget and Accounts, as it had intimated to the Board during its review of the subject, to submit a report to the General Assembly in which it would, *inter alia*, request approval of additional resources to cover the negative fund balance as well as any other liabilities owed to troop-contributing countries being identified by the Department of Peacekeeping Operations that have not previously been taken into account.

30. In paragraph 43, the Board recommended that the Office of Programme Planning, Budget and Accounts instruct the missions: (a) to regularly review accounts receivable and ensure prompt settlement of all outstanding amounts; (b) to enforce the recovery policy by deducting telephone and liberty mileage charges from mission subsistence allowance or salary, as appropriate; and (c) to initiate prompt write-off action where there is little chance of recovery.

31. All missions have been informed and correct procedures have been put in place to be followed when establishing and collecting accounts receivable. However, as recommended by the Board, the Assistant Secretary-General for Programme Planning, Budget and Accounts is taking action to remind missions to take appropriate steps with regard to the issues raised by the Board. Action is also being taken to write off long-outstanding amounts deemed irrecoverable at this time.

32. In paragraph 51, the Board recommended that the Administration emphasize to the missions the enforcement of established procedures for accounts receivable to be recovered from separating staff members, civilian police and military observers to avoid financial losses to the Organization.

33. The recommendation has been implemented. Reminders have recently been sent to all missions on the importance of enforcing established recovery procedures with respect to separating mission personnel.

34. In paragraph 71, the Board recommended that the Administration continue to adhere to the requirement for submission to the contract committees for consideration, even in cases of procurement under exigency.

35. The Procurement Manual was recently amended with respect to the question of exigency, which is broadly defined as those cases "which would seriously jeopardize or have the potential to jeopardize the operational capability of the mission ...". Examples are given of the type of situation that could endanger the mandate of the mission or endanger lives. An exception to calling for bids or proposals does not preclude presenting the case to the appropriate committee or committees on contracts should the cost of the goods or services be above the delegated level of authority. The use of exigency should be viewed in the context of the particular circumstances existing in the mission at the time of the procurement action and whether or not the procurement course chosen was reasonable for the success of the mission under those circumstances. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

36. In paragraph 87, the Board recommended that the Administration emphasize to the United Nations Mission in Bosnia and Herzegovina and the United Nations Mission in the Central African Republic (MINURCA) the need for full compliance with established procedures regarding the use of miscellaneous obligating documents.

37. This recommendation has been implemented. The administration of MINURCA implemented a system to regularly review encumbered balances to comply with United Nations procedures and to ensure that the Organization's resources are used in a timely and effective manner. This includes instructions to the Mission's finance section to ensure that reports on the status of outstanding obligations and unencumbered balances are issued regularly to enable certifying officers to review their respective accounts on time. Furthermore, the Field Administration and Logistics Division has recently sent a fax to all missions reminding them of the need to follow established procedures governing the use of miscellaneous obligation documents.

38. In paragraph 100, the Board recommended that, even when a mission was in the process of liquidating, it should still ensure that there is proper separation of duties in the initiation of expenditure. All requests for work on building systems should be made through the Engineering or Building Management Section, with a detailed and properly authorized work order, which should decide on the need for and priority of the work.

39. Procedures to be followed for implementing building construction, installation of camp systems and repair/maintenance projects are outlined in the mission logistics directives and in the Engineering Support Services Manual of Procedures, which the Division distributes to all missions. These are to be adhered to by the missions at all times, including during liquidation. In addition, the Finance Management and Support Service has drafted a field finance manual that includes a section on liquidation procedures for peacekeeping missions. The manual has been sent to all field missions as well as relevant offices at Headquarters. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

40. In paragraph 102, the Board recommended that the Department of Peacekeeping Operations, in conjunction with the Procurement Division, ensure that all field missions comply with the established procedures relating to reporting on the performance of vendors and contractors.

41. This recommendation has been implemented. The Department recently sent a fax to all missions reminding them of the need to follow reporting procedures on vendor/contractor performance in respect of contracts entered into by the Procurement Division at Headquarters.

42. In paragraph 109, the Board recommended that the Administration reintroduce the training programme for chief administrative officers and to extend it to cover other management personnel.

43. The training of chief administrative officers and senior management personnel continues to be an issue of high priority. The Special Committee on Peacekeeping Operations expressed encouragement at the establishment of a three-month training programme for potential chief administrative officers and urged the Secretariat to include the role of the chief administrative officer in the preparation of mission budgets into the training programme. The chief administrative officers and chief financial or budget officers of field missions are now invited to New York to discuss and review their respective mission budget proposals with the relevant offices at Headquarters and also to participate in deliberations of the Advisory Committee on Administrative and Budgetary Questions. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

44. In paragraph 116, the Board recommended that the Office of Programme Planning, Budget and Accounts effect the necessary entries in the accounts to fully record the proceeds from the sale of assets of the United Nations Observer Mission in Liberia.

45. The Office of Programme Planning, Budget and Accounts has ascertained that the income from the sale of two defective generators has been appropriately adjusted and recorded in the accounts. It is unfortunate that this information was not readily available to the auditors during their audit review. The details of this transaction are in the field accounts located in the mission liquidation unit of the Field Administration and Logistics Division.

46. In paragraph 121, the Board recommended that the Department of Peacekeeping Operations pursue and obtain acknowledgements for all assets transferred by the United Nations Military Observer Group in Guatemala to the United Nations Logistics Base at Brindisi, Italy, and retained in the United Nations Verification Mission in Guatemala (MINUGUA).

47. The Department has requested MINUGUA to provide acknowledgements as requested by the Board. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

48. In paragraph 134, the Board recommended that the Department ensure that the staff of peacekeeping missions involved in property control have adequate skills in inventory procedures, equipment recognition and computer use.

49. Property control training is given to staff in the field missions as part of the implementation of the field assets control system. The system was designed in part to reflect United Nations procedures, policies and guidelines on property control in data entry and workflow, such as property categories, physical check-ups, serial number control, bar code or decal number controls and so on. The field assets control system project team in the Field Administration and Logistics Division is putting together draft guidelines on what property control procedures must be standardized throughout field missions; currently these instructions are limited to what currently affects data entry and workflow in the system, but it is expected to be all-inclusive upon finalization. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

50. In paragraph 139, the Board recommended that the Department of Peacekeeping Operations and missions plan any future transfers of equipment with the aim of maximizing the standardization of equipment held by receiving missions.

51. In principle, the Department concurs with the recommendation. However, as stated on previous occasions, operational and political exigencies may at times override the intention to standardize equipment in the field. The Field Administration and Logistics Division developed the field assets control system to provide proper control of the Organization's assets and to ensure uniformity in asset management in peacekeeping missions. The system includes an expendable inventory item prototype module, which is meant to enhance decision-making with regard to issues related to procurement, delivery, redistribution, replenishment, storage, write-off and disposal of mission assets. The Under-Secretary-General for

Peacekeeping Operations is responsible for the implementation of this recommendation.

52. In paragraph 146, the Board recommended that the Field Administration and Logistics Division make every effort to reduce the backlog of property survey cases and, in particular, consider streamlining and strengthening the operations of the team responsible for processing the cases.

53. The Department of Peacekeeping Operations shares the concerns expressed by the Board with regard to the backlog of property survey cases, which it has been attempting to resolve for some time. As approximately 60 per cent of the outstanding property survey cases pending with both the Field Administration and Logistics Division and the Headquarters Property Survey Board fall under $500, the Division is convinced that the way to address the backlog is to delegate authority to the field for a final decision on cases involving assessment of mission personnel below the amount of $500. A recent directive by the Controller, in an effort to reduce the number of steps involved in processing claims, requests local property survey boards to submit property survey cases directly to the Headquarters Property Survey Board for action, and the Division is now in the process of forwarding the remaining backlog cases to the Board for review and recommendation.

54. In paragraph 150, the Board recommended that the Department of Peacekeeping Operations ensure that: (a) a clear and comprehensive security strategy is introduced early in missions; (b) all staff, including military personnel, are provided with guidance on ensuring the security of assets; and (c) where appropriate, vehicle immobilization devices are used on United Nations-owned vehicles.

55. In addition to staffing missions with sufficient numbers of trained and experienced security personnel (civilian or military), the maximum physical protection possible is being installed in missions, including fencing, lighting, alarms, surveillance cameras, safes and so on. The theft of vehicles is a matter of great concern in all field missions since they comprise a large part of the monetary value of peacekeeping assets. Increasingly, electronic ignition and tracking "CarLog" systems are being installed in mission vehicles. On the other hand, the implementation of the field assets control system improves the recording and monitoring of inventory. Mission personnel are regularly reminded, through the issuance of administrative instructions and circulars, to take care of the property assigned to them and are made aware of the consequences if they are found to have been responsible for their loss or damage. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

56. In paragraph 152, the Board recommended that the Department ensure that responsibility for welfare items, where they continue to be provided by the United Nations, is vested in the civilian administration.

57. This recommendation has been implemented. The Field Administration and Logistics Division will ensure that welfare items provided by the United Nations will be part of the civil administration's responsibility.

58. In paragraph 158, the Board recommended that the Department ensure that missions enforce staff departure procedures, including checks to ensure that all equipment issued has been returned, and such procedures should also be applied to military or civilian police officers with responsibility for United Nations-owned equipment.

59. The Field Administration and Logistics Division has recently reminded field missions to comply with these procedures. The Under-Secretary-General for Peacekeeping Operations is responsible for the implementation of this recommendation.

60. In paragraph 167, the Board recommended that the Department instruct missions to ensure that they take full inventory of and prepare condition reports on properties that they intend to occupy and that they support these reports with detailed photographic evidence where possible.

61. This recommendation has been implemented. The Field Administration and Logistics Division has recently sent a written reminder to all missions on the subject.

62. In paragraph 174, the Board recommended that the Department instruct peacekeeping missions to ensure that trust funds are used only for the purposes cited.

63. This recommendation is being implemented. The Under-Secretary-General for Peacekeeping Operations

is responsible for the implementation of this recommendation.

64. In paragraph 179, the Board recommended that the Administration ensure that full and accurate information on fraud and presumptive fraud be provided to the Board of Auditors in accordance with the Financial Rules.

65. All missions have been reminded of their duty to report all cases of fraud or presumptive fraud to the Office of Internal Oversight Services and the Controller immediately. The Controller is responsible for providing this information to the Board of Auditors.

Notes

[1] *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 5* (A/54/5), vol. II, chap. II.

[2] See ibid., paras. 90-92.